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DISSEMINATION: ECON

CHARGE: PROG

APPROVED: ECON:RFCEKUTA

DRAFTED: GA:JIJACOBY

CLEARED: EPD: MASULLIVAN, JMASON-RUSCH, TLISTON, GA:MKOUMANS, POL: BM

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SUBJECT: FIRST LOOK AT GERMANY'S EU PRESIDENCY, G-8  
ENVIRONMENT AGENDA

1. (SBU) Summary. Although the German government is not expected to finalize its G-8 and EU presidency agendas until after cabinet meetings on each scheduled for October 1 and October 11 respectively, Environment Ministry contacts conveyed August 23 what they see as focal points for German environmental policy during the dual presidencies in 2007. In both the G-8 and EU context, according to the Environment Ministry and MFA contacts, climate change will remain a priority and the German government will also emphasize energy supply issues. The Environment Ministry communicated an ambitious EU presidency agenda on renewable energy innovation and further emissions reductions for the transportation sector, but recent European Commission discussions and signals from the auto sector indicate these ambitions may go unrealized in 2007. Contacts at the MFA noted the Economics Ministry may have in mind different energy and emissions goals for the G8 and EU presidencies and emphasized the agendas are still subject to internal discussion and vetting. Other environmental issues for Germany's EU presidency will be biodiversity and water quality. Environment Ministry contacts used their meeting with Global Affairs officer to indicate they want to engage with the U.S. on climate and energy. End Summary.

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G-8 PRIORITIES  
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2. (U) Global Affairs officer met August 23 with Norbert Gorissen, Head of the Environment Ministry's (BMU) European Union Division, and Michael Kracht and Birgit Schwenk from BMU's International Cooperation Department. Gorissen is

responsible in BMU for formulating plans for the German EU presidency; Kracht and Schwenk work on G-8 presidency planning.

13. (U) Kracht noted an October 1 cabinet meeting will officially set the agenda for Germany's G-8 Presidency and speculates the three major economic themes will be innovation and IPR protection, increasing coordination of financial markets, and resources and energy. He acknowledged climate change will not feature as prominently as it did at the Gleneagles Summit, but he said Germany intends to emphasize the link between climate change and energy efficiency and diversity of energy supplies.

14. (U) Schwenk added climate change likely will receive a lot of press attention in 2007 because the Intergovernmental Panel on Climate Change (IPCC) will publish its Fourth Assessment Report over the course of the year. The year 2007 also marks the final year before the first commitment period under the Kyoto Protocol (2008-2012). Both at the UNFCCC and in the context of its G-8 presidency, Schwenk continued, Germany will look to establishing an international climate regime for the post-2012 period and hopes other countries, especially the U.S., will participate in the discussion, if not the emissions-reduction regime itself. The BMU sees the upcoming U.S.- EU High Level Dialogue on Climate Change, Clean Energy, and Sustainable Development as a good opportunity to identify areas for cooperation and sustain exchange on U.S. and EU climate policies. (Note: While remaining committed to Kyoto's emissions reductions regime, the BMU is signalling renewed German interest to engage the U.S. on areas for cooperation outside the protocol process. Gorissen, Kracht, and Schwenk all noted Germany and the U.S. share interest in accessing renewable energy and in developing clean and more efficient energy technologies. They suggested areas of discussion at the high level dialogue include promoting greenhouse gas reducing technologies and lowering emissions in the transportation sector. These are both areas, Schwenk observed, where Germany and the U.S. can learn from each others' experience. End note.)

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EU PRIORITIES  
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15. (SBU) Gorissen said BMU wants to give environmental policy an "active" part in the EU presidency by asserting that environmental standards drive innovation and contribute to competitiveness. He noted Germany will launch the EU's seventh framework program for research (FP 7) -- a 50 billion Euro instrument to support international cooperation on science and technology from 2007 to 2013 -- in Brussels in March 2007 and wants to couple the research program with an action plan for "Energy for Europe." Gorissen said the action plan would respond to the European Commission's request for a "concrete roadmap" on energy and would set new goals for EU members' renewable energy production by 2020, including recommendations for increasing the use of combined heat and power installations and biofuels. (Comment: The BMU's plan to link renewable energy to the EU's research and innovation strategy may have more rhetorical value than economic potential. Under the FP 7 the amount of EU research money slated for renewable energy is relatively low: only 4.8 percent of the 50 billion Euro budget, 2.4 billion Euro, will be allocated to energy research between 2007 and 2013. Of this amount, the European Parliament decided June 15 that 1.6 billion Euro should go to renewable energy and efficiency programs but the European Commission is resisting this earmark, claiming other kinds of projects may be more deserving of the funds. End Comment.)

16. (U) On transportation, Gorissen briefly noted the BMU will continue to support emissions targets for air traffic, but did not provide any detail on what the targets would look like. He also said the BMU would like to use the EU presidency to push for stricter nitrogen oxide (NOx) emissions limits on diesel cars. While EU members are still debating the latest version of emissions standards, Euro 5,

the BMU is already looking ahead to a "Euro 6" version that would put NOx limits for diesel and petrol engines on equal footing. Diesel engines currently emit much more NOx than petrol engines; car manufacturers claim new targets pose significant technical challenges that will have a negative impact on car prices, fuel consumption efficiency and hence, carbon dioxide emissions.

17. (U) According to Gorissen, ongoing issues for the German EU presidency will be water quality and biodiversity. He noted the latest development on the issue of water pollution is a directive the Commission proposed July 2006. That directive would set limits on EU surface water concentration levels for 41 types of pesticides and heavy metals. The BMU expects to host a conference on the impact of climate change on European waters in February 2007 in Berlin. On biodiversity, Gorissen said Germany plans to host a Biodiversity Conference in Bonn in 2008 and will begin preparation of the EU position during its Presidency. Key biodiversity issues for the EU will be financing biodiversity conservation projects in developing countries and improving data sharing.

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MFA: "AGENDAS STILL NOT FINALIZED"  
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18. (U) In a separate conversation, a MFA contact who follows environmental themes in the G-8 and EU observed the BMU has its own ideas about what Germany's dual presidency agendas should look like. He noted the Economics Ministry will likely have different views from the BMU, especially on a renewable energy roadmap and NOx emissions targets. He emphasized the EU and G-8 presidency agendas are still subject to internal discussion and vetting within the German government and will not be finalized until October cabinet meetings.  
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